

ECON 516: Monetary Theory
Online and asynchronous

Course Syllabus

Course Objectives:

This course seeks to highlight and discuss relevant policy lessons derived from asymmetric information models of financial intermediation. In this spirit, the course will explore firm- and household-level financing decisions and constraints in imperfect capital markets, as well as the pros and cons of various government interventions designed to mitigate such imperfections in normal and crisis times. The course has a clearly applied focus. After reviewing the underlying analytical framework, full attention will be paid to descriptive and econometric evidence from both developed and developing countries that will often defy common knowledge in the policy arena. In addition, current events will be used as a trigger for the application of concepts and/or data introduced in class.

Additional Course Information:

Please visit course website (*under construction*).

List of Topics

1. The foundations of the financial intermediation process: An analytical framework on asymmetric information in financial markets.
2. Connecting theory and reality: Financing structure of firms and households around the world.
3. Financial constraints and the supply and demand for credit. Implications for corporate investment, capital structure and dividend policies.
4. Bank policies to deal with credit risk: Collateral, downpayment, lending relationship. Leasing, factoring, microcredit.
5. The structure of the banking system. Balance sheet and income statements: Stylized composition. Concentration and competition. Ownership structure: State, foreign and private domestic banks.

6. Bank regulation. Market discipline. Deposit insurance. Capital requirements. Liquidity requirements.
7. Institutions dealing with asymmetric information: Creditor legal rights and credit bureaus.
8. Financial development and economic growth. Credit and payment services. Causality.
9. Financial crises: Origins, consequences and resolution. Policy lessons from old and new episodes, including the Covid-19 crisis.